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**ALAMEDA-CONTRA COSTA  
TRANSIT DISTRICT**

Single Audit Reports

Year Ended June 30, 2009

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT  
SINGLE AUDIT REPORTS  
YEAR ENDED JUNE 30, 2009

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SACRAMENTO

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

Board of Directors  
Alameda-Contra Costa Transit District  
Oakland, California

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the business-type activity and the pension trust fund of the Alameda-Contra Costa Transit District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2009. Our report includes a reference to other auditors for the pension trust fund. Our report also included an explanatory paragraph describing the implementation of a new accounting standard. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the pension trust fund were not audited in accordance with *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weaknesses.

#### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act funds allocated to and received by the District were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission as required by Section 6667 of Title 21 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

We noted other matters that we have reported to management in a separate letter dated December 7, 2009.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and management of the District, the State Controller's Office, the Metropolitan Transportation Commission, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Gini & C Counsel LLP*  
Certified Public Accountants  
Walnut Creek, California

December 7, 2009



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Oakland, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM,  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 AND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Compliance*

We have audited the compliance of Alameda-Contra Costa Transit District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-2.

### *Internal Control Over Compliance*

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the business-type activity and the pension trust fund of the District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 7, 2009. Our report was modified to include a reference to other auditors for the pension trust fund. Our report also included an explanatory paragraph describing the implementation of a new accounting standard. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and management of the District, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Macias Gini & Connell LLP*

Certified Public Accountants  
Walnut Creek, California

January 14, 2010,  
except for the Schedule of Expenditures of Federal Awards paragraph  
as to which the date is December 7, 2009

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**  
**(in thousands)**

Program Description	Federal CFDA Number	Grant Number	Program Award	EXPENDITURES - FEDERAL SHARE			RECEIPTS			Federal Receivable at June 30, 2009
				Federal Receivable at July 1, 2008	Cumulative Prior to July 1, 2008	July 1, 2008 through June 30, 2009	Cumulative through June 30, 2009	July 1, 2008 through June 30, 2009	Cumulative through June 30, 2009	
U.S. DEPARTMENT OF TRANSPORTATION										
Federal Transit Cluster:										
Federal Capital Assistance										
Federal Transit - Capital Investment Grants										
- Capital Assistance	20.500	CA-03-0640	\$ 1,033	\$ 13	\$ 267	\$ 290	\$ 254	\$ 35	\$ 289	\$ 1
- Capital Assistance	20.500	CA-03-X684	971	-	2	3	2	-	2	1
- Capital Assistance	20.500	CA-26-0043	810	62	514	653	472	62	534	119
- Capital Assistance	20.500	CA-38-0005	4,000	-	-	50	-	-	-	50
- Capital Assistance	20.500	CA-70-X002	994	31	988	988	957	-	957	31
Subtotal			7,808	106	1,791	1,984	1,685	97	1,782	202
Federal Transit - Formula Grants										
- Capital Assistance	20.507	CA-90-X597	23,529	14	23,366	23,382	23,352	30	23,382	-
- Capital Assistance	20.507	CA-90-X730	14,237	-	14,193	14,201	14,193	-	14,193	8
- Capital Assistance	20.507	CA-90-X947	20,877	1,098	20,233	20,623	19,135	1,488	20,623	-
- Capital Assistance	20.507	CA-90-Y063	16,731	589	17,063	17,063	16,474	589	17,063	-
- Capital Assistance	20.507	CA-90-Y140	6,401	171	4,991	5,220	4,820	400	5,220	-
- Capital Assistance	20.507	CA-90-Y249	3,731	314	3,539	3,539	3,225	314	3,539	-
- Capital Assistance	20.507	CA-90-Y341	939	166	794	939	628	136	764	175
- Capital Assistance	20.507	CA-90-Y410	1,974	684	684	897	-	874	874	23
- Capital Assistance	20.507	CA-90-Y526	6,303	77	77	845	-	396	396	449
- Capital Assistance	20.507	CA-95-X028	4,316	-	-	1,991	-	-	-	1,991
Subtotal General Capital Assistance			106,846	3,219	86,731	90,684	83,512	4,324	87,836	2,848
General Operating Assistance										
Federal Transit - Formula Grants										
- Operating Assistance	20.507	CA-90-Y140	22,342	-	22,199	22,199	22,199	-	22,199	-
- Operating Assistance (ADA Set Aside)	20.507	CA-90-Y613	9,959	9,959	9,959	9,959	-	9,959	9,959	-
- Operating Assistance (ADA Set Aside)	20.507	CA-90-Y613	1,277	1,277	1,277	1,277	-	1,277	1,277	-
- Operating Assistance (ADA Set Aside)	20.507	CA-90-Y613	6,583	6,583	6,583	6,583	-	6,583	6,583	-
- Operating Assistance (Prev. Mtc.)	20.507	CA-90-X690	7,489	-	-	7,489	-	-	-	7,489
- Operating Assistance (Prev. Mtc.)	20.507	CA-90-X690	4,723	-	-	4,723	-	-	-	4,723
- Operating Assistance (Prev. Mtc.)	20.507	CA-90-X690	2,576	-	-	2,576	-	-	-	2,576
- Operating Assistance (Prev. Mtc.)	20.507	CA-90-X690	3,093	-	-	3,093	-	-	-	3,093
- Operating Assistance (Prev. Mtc.)	20.507	CA-90-X690	7,115	-	-	7,115	-	-	-	7,115
- Operating Assistance (ADA Set Aside)	20.507	CA-90-X690	6,754	-	-	6,754	-	-	-	6,754
- Operating Assistance (Paratransit Lease)	20.507	CA-90-X690	1,640	-	-	1,640	-	-	-	1,640
- Operating Assistance (Prev. Mtc.-ARRA)	20.507	CA-96-X004ARRA	23,165	-	-	23,165	-	-	-	23,165
- Operating Assistance (ADA Set Aside-ARRA)	20.507	CA-96-X004ARRA	2,574	-	-	2,574	-	-	-	2,574
Subtotal General Operating Assistance Programs			99,290	17,819	40,018	99,147	22,199	17,819	40,018	59,129
Total Federal Transit Cluster			206,136	21,038	126,749	189,831	105,711	22,143	127,854	61,977
Federal Transit Metropolitan Planning Grants	20.505	Various	247	206	206	247	-	-	-	247
TOTAL U.S. DEPARTMENT OF TRANSPORTATION										
TOTAL FEDERAL AWARDS										
			\$ 206,383	\$ 21,244	\$ 126,955	\$ 190,078	\$ 105,711	\$ 22,143	\$ 127,854	\$ 62,224

See accompanying notes to the schedule of expenditures of federal awards.



**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

**1. GENERAL**

The schedule of expenditures of federal awards (Schedule) presents the activity of all federal awards programs of the Alameda-Contra Costa Transit District (District). Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies, are included on the Schedule. The grant period may be different from the District's fiscal year, which is from July 1 through June 30. Federal expenditures represent transactions during the District's fiscal year.

**2. BASIS OF ACCOUNTING**

The Schedule is presented using the accrual basis of accounting, which is described in the notes to the District's basic financial statements.

**3. RELATIONSHIP TO FINANCIAL STATEMENTS**

The District's federal awards are reported as follows in the basic financial statements for the year ended June 30, 2009 (in thousands):

Reported in the statement of revenues, expenses, and changes in fund net assets:

Federal portion of capital contributions	\$ 3,953
Federal transit technical studies grant	41
Federal transit operating assistance	<u>59,129</u>
Total expenditures reported in the FY 2008/09 Schedule	<u><u>\$ 63,123</u></u>

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

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### Section I Summary of Auditor's Results

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#### *Financial Statements:*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

#### *Federal Awards:*

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

CFDA Nos. 20.507 & 20.500 Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs (3% of total annual federal expenditures) \$1,893,690

Auditee qualified as low-risk auditee? Yes

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

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### Section II Financial Statement Findings

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#### Item #2009-1 – Significant Deficiency Preparation of Statement of Cash Flows

As part of preparing the financial statements, the District must present a statement of cash flows. The statement of cash flows presented during the audit contained misclassifications related to capital and non-capital related grants and long-term debt.

We recommend that the District refine the mapping of the cash flow template to ensure that grant and long-term debt activities are properly classified in the statement of cash flows in accordance with generally accepted accounting principles. In addition, the District should evaluate, on an annual basis, the impact of any new activities or transactions to the statement of cash flows.

#### *Management response:*

Management understands the requirements for the cash flow statement and will continue to work on refinement of the cash flow template. The District went live with its new Finance/Human Resources information system during fiscal year 2009-2010. It is anticipated that the new system will facilitate processing of the cash flow statement, including an annual evaluation of new activities or transactions that may impact the cash flow statement.

## ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

### Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

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#### Section III Federal Award Findings and Questioned Costs

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##### **Item #2008-2 Noncompliance with DBE Reporting Requirements Federal Transit Cluster (CFDA #20.500 & 20.507) U.S. Department of Transportation**

During our testing of compliance on the Disadvantaged Business Enterprise (DBE) reports, we noted that the District did not include all of the information required to be obtained. According to Code of Federal Regulations (CFR) Title 49, Transportation, Part 26.11 and Appendix B, the District is required to obtain the following information from all contractors and subcontractors who work on federally-funded contracts: name of the firm, address of the firm, status as a DBE or non-DBE firm, age of the firm, and the annual gross receipts of the firm. The District uses the California Unified Certification Program (CUCP) to obtain the required data on contractors and subcontractors. The information retained by the District did not include the age of firm or the annual gross receipts of the firm for each of the contractors and subcontractors reviewed.

##### **Questioned Costs:**

None. This is a noncompliance issue that affects document retention requirements and does not impact the reporting of financial data in the schedule of expenditures of federal awards.

##### **Recommendation:**

We recommend that the District obtain the age and the annual gross receipts of each contractor and subcontractor who participates in the bidding process for federally-funded contracts.

##### **Management Response:**

We recognize that we have not been collecting this information. We will revise our bid and proposal documents to require that this information be provided by prime contracts for themselves and any subcontractors they plan to use.

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT**

**Schedule of Prior Audit Findings**

**Year Ended June 30, 2009**

Item Number:	2008-3
Federal Catalog Number:	20.500 and 20.507 – Federal Transit Cluster
Audit Finding:	The District did not retain information on contractors' age of firm or annual gross receipts in accordance with CFR Title 49, Part 26.11 and Appendix B
Status of Corrective Action:	Not corrected, see Item 2009-2 above